



May 17, 2013

Ms. Cindy Trobitz-Thomas  
Director of Economic Development and Housing  
City of Eureka  
531 K Street  
Eureka, CA 95501

Dear Ms. Trobitz-Thomas:

Subject: Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 6, 2013. Pursuant to Health and Safety Code (HSC) section 34177 (m), the City of Eureka Successor Agency (Agency) submitted a Recognized Obligation Payment Schedule (ROPS 13-14A) to Finance on February 21, 2013 for the period of July through December 2013. Subsequently, the Agency requested a Meet and Confer session on one or more of the items denied by Finance. The Meet and Confer session was held on May 7, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific items being disputed.

- Item No. 5 – Harbor EDA Bond in the amount of \$219,006. Documentation provided by the Agency for the Municipal Harbor Improvements 1973 Revenue Bond states the Bonds were authorized and issued by the City of Eureka (City). The Agency believes section 5 (j) of the loan agreement between the City, the Agency, and the California Department of Boating and Waterways (CDBW) obligates the Agency for payment of these 1973 bonds. The loan agreement, dated September 16, 1996 and amended in March 10, 1999, was to construct a small craft harbor (Project) and the loan repayment is included as a separate line item on the ROPS.

Section 5 (j) of the loan agreement states, "In the event that the actual income originating from fees, rents and other charges related to the operation of the [Project] is not sufficient to pay for the routine maintenance, operation and debt service associated with the operation of the [Project]... the [City and former redevelopment agency] shall pay for any and all deficits ..." However, the debt service referenced is the debt service associated with the operation of the Project which is specifically defined as, "the small craft harbor project as described by and constructed pursuant to [the loan]." There is no reference to, link to, or use of, the 1973 City bonds in the loan agreement or the Project as defined by the loan agreement. As a result, the 1973 City bonds are not debt service associated with the 1996 project. Thus, the loan agreement terms do not provide a

basis for Finance to determine that the debt service related to bonds issued by the City in 1973 are an enforceable obligation of the Agency.

- Administrative costs as further explained below:

Item No. 18 – Legal Services totaling \$50,000. Finance continues to reclassify this item as an administrative cost administrative cost cap. The Agency claims these are legal fees for the maintenance of Agency owned property prior to disposition. During the Meet and Confer, Finance requested the contract for these legal services and other available documentation to provide a basis for the requested estimate including identification of the properties associated with the legal costs. The Agency provided the legal services contract but did not provide any additional documentation to support the amounts requested and that the requested funds are specific to legal services related to property disposition. Our review indicates the contract dated March 15, 2013 is for general legal services in the total amount of \$30,000. Therefore, Finance has determined these are general legal fees that should be counted towards the administrative cost cap.

Item No. 19 – Other Professional Services totaling \$50,000. Finance continues to reclassify this item as an administrative cost as part of the administrative cost cap. The Agency claims these are property specific costs and should not count towards the administrative cost cap. The Agency provided two invoices as support for appraisal costs and an email with an estimate of \$22,000 in costs to complete a project. However, the documentation provided was not sufficient to support the requested amounts including identification of the properties associated with the costs. Finance is unable to conclude these are project specific costs related to the line item and not general administrative costs. This item will remain reclassified as an administrative cost counting towards the administrative cost cap.

Item Nos. 21 and 22 – Supplies and Training costs totaling \$8,500. Finance reclassified these items as administrative costs counting towards the administrative cost cap. Based on discussion during the meet and confer, these items are considered general administrative costs and have been reclassified.

Although this reclassification increased administrative costs to \$179,250, the administrative cost allowance has not been exceeded.

The Agency's maximum approved Redevelopment Property Tax Trust Fund (RPTTF) distribution for the reporting period is: \$1,617,920 as summarized on the following page:

<b>Approved RPTTF Distribution Amount</b>	
<b>For the period of July through December 2013</b>	
Total RPTTF funding requested for obligations	\$ 1,548,151
Minus: Six-month total for items denied or reclassified as administrative cost	
Item 5	55,231
Item 18*	25,000
Item 19*	25,000
Item 21*	1,250
Item 22*	3,000
Total approved RPTTF for enforceable obligations	\$ 1,438,670
Plus: Allowable RPTTF distribution for ROPS 13-14A administrative cost	179,250
Minus: ROPS II prior period adjustment	-
<b>Total RPTTF approved for distribution:</b>	<b>\$ 1,617,920</b>

\*Reclassified as administrative cost

Pursuant to HSC Section 34186 (a), successor agencies were required to report on the ROPS 13-14A form the estimated obligations and actual payments (prior period adjustments) associated with the July through December 2012 period. HSC Section 34186 (a) also specifies that the prior period adjustments self-reported by successor agencies are subject to audit by the county auditor-controller (CAC) and the State Controller. The amount of RPTTF approved in the above table includes the prior period adjustment that was self-reported by the Agency and the prior period adjustment resulting from the CAC's audit of the Agency's self-reported prior period adjustment. Please refer to the worksheet used by the CAC to determine the audited prior period adjustment for the Agency:

<http://www.dof.ca.gov/redevelopment/ROPS/view.php>

Please refer to the ROPS III schedule that was used to calculate the approved RPTTF amount:

<http://www.dof.ca.gov/redevelopment/ROPS/ROPS III Forms by Successor Agency/>.

The amount available from the RPTTF is the same as the property tax increment that was available prior to enactment of ABx1 26 and AB 1484. This amount is not and never was an unlimited funding source. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax is limited to the amount of funding available to the successor agency in the RPTTF.

Except for items disallowed as noted above, Finance is not objecting to the remaining items listed in your ROPS 13-14A. Obligations deemed not to be enforceable shall be removed from your ROPS. This is Finance's final determination related to the enforceable obligations reported on your ROPS for July through December 2013. Finance's determination is effective for this time period only and should not be conclusively relied upon for future periods. All items listed on a future ROPS are subject to a subsequent review and may be denied even if it was or was not questioned on this ROPS or a preceding ROPS.

Ms. Cindy Trobitz-Thomas

May 17, 2013

Page 4

Please direct inquiries to Evelyn Suess, Dispute Resolution Supervisor, or Danielle Brandon, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY

Local Government Consultant

cc: Ms. Wendy Howard, Accounting Supervisor, City of Eureka  
Mr. Joe Mellett, Humboldt County Auditor-Controller  
California State Controller's Office